



BUILDING
COMMERCE

INSPIRE
ALBERTA

CREATE

INNOVATE

GLOBAL FOSTER

LAUNCH
INTERNATIONAL

SUPPORT

RESEARCH

COMMERCIALIZE

GROW ACADEMIA

ALBERTA INNOVATES—TECHNOLOGY FUTURES
ANNUAL REPORT 2010-11



CORPORATE & EXECUTIVE TEAM DIRECTORY 2011

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LAUNCH

ACADEMIA

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Glossary of Terms

A AITF: Alberta Innovates—Technology Futures

SMEs: Small and Medium-sized Enterprises

RIN: Regional Innovation Network

ABDC: Alberta Biomaterials Development Centre

Omics: Genomics, Proteomics, Metabolomics, Meta Genomics, and Bioinformatics

A YEAR OF MILESTONES

ALBERTA INNOVATES—TECHNOLOGY FUTURES (AITF)

"For every dollar invested in AITF, we generated a 12-times return"

Ron Triffo, AITF, Board Chair

2010-11 Highlights:

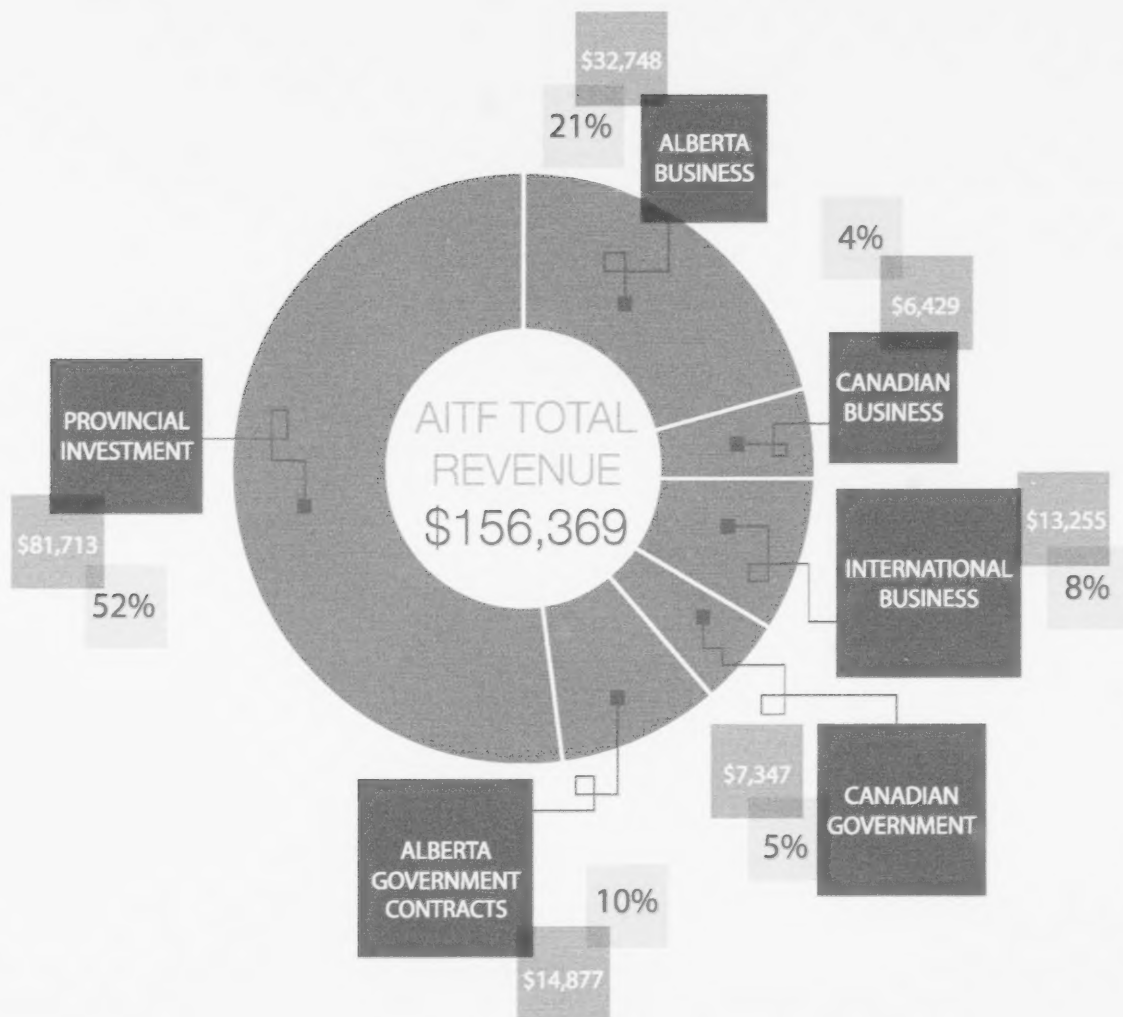
- AITF's R&D technical support for customers and partners contributed \$81 million in commercialization
- AITF's access to industrial and post-secondary expertise for commercialization added another \$56 million
- AITF's support for small and medium-sized enterprises contributed \$14 million in commercialization
- C-FER Technologies Inc., a wholly-owned subsidiary of AITF, contributed \$14.5 million to AITF's revenue
- Annual economic impact assessment confirms a return of \$1.4 billion in direct economic impacts to the province. Every dollar of provincial investment in AITF has generated a 12-times return
- More than 900 external clients and partners received services from AITF
- AITF awarded more than 200 grants



** For the definition of direct economic benefit, please see page 26 of the Management Discussion and Analysis.

AITF REVENUE BY SOURCE 2010-11

(in thousands)



Alberta is the
place to invent,
invest, collaborate,
research and
transform ideas
into products
and services.

Dr. Bob Jost with a
sample of the pulp used
to make nanocrystalline
cellulose (NCC) at AITF's
Mill Woods facility.

CREATE

GROW

ACADEMIA

EXECUTIVE SUMMARY

A year of transition, development and alignment for Alberta Innovates – Technology Futures

Established on January 1, 2010, the purpose of Alberta Innovates – Technology Futures (AITF) is to help build globally competitive commerce in Alberta.

Through its strategic portfolio of programs and services, AITF provides the integrated, end-to-end support needed to turn ideas into commercially viable products and services. With the help of AITF, entrepreneurs, companies, researchers, post-secondary institutions and investors come together to solve problems and create the circumstances for business success. Building on the established foundation of partnership and collaboration across Alberta's research and innovation system, AITF's approach enhances the collective value and combined impact of its four heritage organizations: Alberta Ingenuity, Alberta Research Council, iCORE and nanoAlberta.

As the technology commercialization arm of the new Alberta Innovates system, AITF worked over the course of the past year to refocus the efforts of the heritage organizations to align with its new mandate. Key achievements included the introduction of a new operating structure, inaugural strategic and operating plan development, and the establishment of mandate-specific performance metrics. The result has been increased engagement with companies, entrepreneurs and the research community in Alberta.

For AITF, 2010-11 was a year of transition, development and alignment. Efforts undertaken and results achieved reflect the government's priority areas of focus of energy and environment, bio-industries and health. More than 900 external clients and partners benefitted from AITF's technical R&D services and expertise. Strategic post-secondary and industry investments were made to more than 200 grant recipients. AITF launched the Alberta Regional Innovation Network to enable valuable connections and networking with businesses and entrepreneurs across the province.

The outcome of these aligned efforts has been positive. In 2010-11, AITF generated a 12-times return for every dollar invested by the province, resulting in \$1.4 billion in direct benefits to Alberta's economy.

Still in its formative stages, AITF is on track and increasingly is being recognized as a key contributor to the Alberta Innovates system. It is delivering on its mandate to create new technology-based businesses of high commercial value for the province.



MESSAGE FROM RON TRIFFO

Chair, Board of Directors

In 2010-11, Alberta Innovates – Technology Futures (AITF) moved beyond its history, leveraging the accomplishments and relationships of our world-class heritage organizations, to build globally competitive commerce. With the support of the Ministry of Advanced Education and Technology, AITF re-shaped the connections between its heritage programs and services to develop stronger opportunities for technology commercialization in the province.

We continued collaborating and building innovative partnerships. We reorganized to align more closely with the government's priority sectors of energy and environment, bio-industries and health, and looked for ways to complement and support the work of the other corporations in the Alberta Innovates system.

As part of our mandate supporting the generation of commerce within the province, we recognized the importance of meeting the needs of the regions. Our capacity in this regard continues to grow as the newly formed Alberta Regional Innovation Network takes shape, allowing us to broaden our reach and make valuable connections with businesses and entrepreneurs in all corners of the province.

These early wins suggest AITF is effectively positioning to enhance commercialization in Alberta. Further alignment and refinement of

commercialization clearly holds promise in establishing Alberta as an innovation leader in the global community.

AITF is committed to building on the entrepreneurial spirit that sets Alberta apart from other jurisdictions. Our intent is to grow these attributes and in the process, build a strong, innovative and diverse economy for Albertans today and for generations to come.

Accountability Statement

Alberta Innovates–Technology Futures' annual report for the year ended March 31, 2011, was prepared under the Board's direction in accordance with the Alberta Research and Innovation Regulation, the Government Accountability Act, and ministerial guidelines pursuant to the Government Accountability Act. All material economic, environmental, or fiscal implication of which we are aware, have been considered in the preparation of this report.

Ron Triffo, P.Eng.
Chair, Board of Directors



MESSAGE FROM GARY ALBACH

President and CEO

The past year has been one of great focus for Alberta Innovates – Technology Futures. We've worked to put the key operational and strategic elements in place to help us deliver on our mandate of building globally competitive commerce in Alberta.

A key activity was developing our inaugural strategic and operating plans. These foundational documents now guide all that we do, from the technical services and expertise we provide, to the strategic funding programs we offer, and the collaborative initiatives we lead.

We realigned the internal operating structure based on the strategic focus of the organization, and developed a comprehensive set of corporate policies to better reflect AITF's goals and values. I credit the success of this endeavour to AITF's employees and their dedication to what we are trying to achieve as part of Alberta's research and innovation system.

Through 2010-11, we grew and developed internally and accomplished a great deal externally through our core activities. We provided technical R&D services and expertise to more than 900 clients, provided strategic funding through our post-secondary and industry investment portfolio to more than 200 recipients, launched the Alberta Regional Innovation Network, and made a significant impact on the Alberta economy as a result of this work.

While we have considerable work ahead of us to fulfill our mandate and achieve our vision, we are making progress and building momentum. AITF is becoming a key component of the Alberta Innovates system. I look forward to working with our partners in government, academia and industry to continue enhancing innovation, entrepreneurialism and commerce in Alberta.

Gary Albach, PhD
President and CEO

CREATE GROW

CORPORATE OVERVIEW

Building a better tomorrow by bridging the gap between
ideas, discovery and commerce

As part of Alberta's research and innovation system, AITF is a service organization that plays an integral role in building healthy and sustainable businesses in the province. Through a portfolio of strategic programs, services and collaborative initiatives addressing the needs of entrepreneurs, companies, researchers, post-secondary institutions and investors, AITF provides essential technical services and funding support to generate commerce in Alberta.

AITF's strength comes from more than 110 years of collective research and commercialization expertise from its heritage organizations.

Our Vision:

We are recognized as Canada's leader in generating prosperity by accelerating innovation and entrepreneurship.

Our Mandate:

Our business is to help build globally competitive commerce in Alberta by facilitating the commercial use of new technologies, developing new knowledge-based industries and encouraging an entrepreneurial culture in Alberta.

Our Priority Sectors:

Energy and environment, bio-industries and health

Our Areas of Focus:

- Technical research and development support
- Innovation capacity and talent development
- Regionally accessible commercialization support

INSPIRE

OPERATIONAL OVERVIEW

Setting a foundation to generate globally competitive commerce

A legacy of innovation...

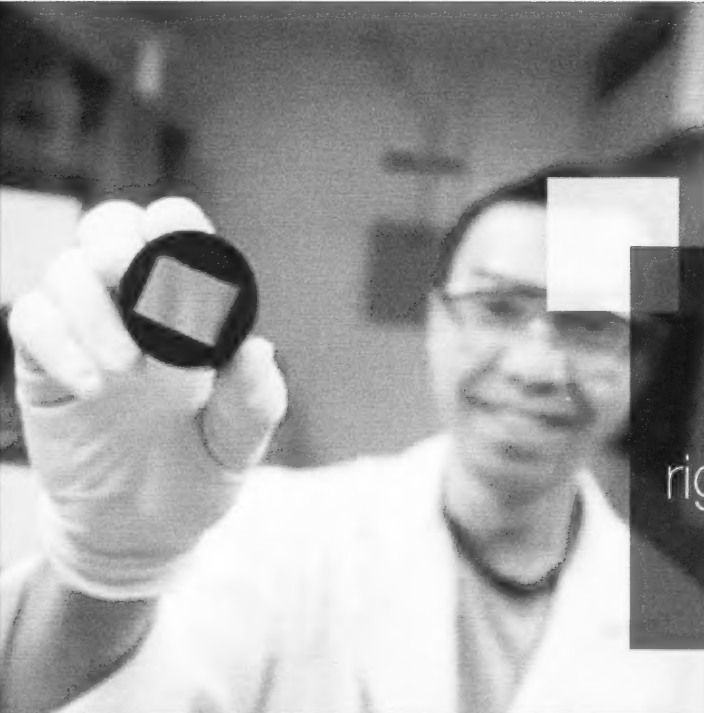
Sound infrastructure...

Confidence and leadership...

Resources, creativity and
a willingness to take risks...

AITF is building a targeted portfolio of programs and services that bridge the gap between good research ideas and successful, real-world applications of those ideas. These programs and services offer companies, researchers and entrepreneurs a toolbox of processes and options that support and position them for success.

AITF's programs and services fall into six different divisions focusing on the areas of services, strategic investments, and collaboration: Petroleum, Environment and Carbon Management, Bio & Industrial Technologies, Health, Post-Secondary Investments and New Ventures.



AITF researcher
Kevin Bach
demonstrates
equipment used to
protect machinery
in the oil sands

...and the
right people.

TECHNICAL
COMMERCIALIZE

AITF SERVICES

AITF offers a wide range of technical services and capabilities for external clients

With approximately 100,000m² of laboratory and pilot-scale facilities, AITF offers its clients, including small to medium-sized enterprises (SMEs), multinational corporations, and government and academic partners, technical expertise and services in the areas of:

- Industrial research and product development
- Technology assessment
- Technology development and demonstration
- Technology commercialization
- Testing and analysis

While teams in different areas are functionally structured for reporting purposes, AITF recognizes and supports many projects requiring collaboration and knowledge-sharing across divisions to achieve complete client success. This past year, more than 900 clients partnered with AITF to access research expertise and specialized equipment in the following areas:



ADVANCED MATERIALS

Provides R&D testing and pre-commercialization services to the energy, manufacturing, natural resource, and supply sectors.

INDUSTRIAL SENSORS

Develops improved sensors and measurement systems to help clients reduce loss, improve efficiency and reduce environmental impact.

FIBRE PRODUCTS

Experts in natural fibre processing, biorefining and biomaterials development through the engineering, scale up and demonstration of products and processes, customized for the forest and agricultural sectors.

BIORESOURCE TECHNOLOGIES

Developing plant and crop-based renewable resources as a viable alternative to challenge our current dependence on non-renewable, diminishing fossil resources. Efforts include: providing technologies and services in multi-product crop platforms; genetic, genomic and biotechnological improvement of biomass; oilseed biotechnology; and agricultural waste material solutions.

GEOLOGICAL SCIENCE AND CARBON STORAGE

Features incomparable access to global knowledge and experience in carbon management activities, including gasification, gas separation and geological storage of CO₂.

WILDLIFE ECOLOGY

Applied research on biodiversity, wildlife species, vegetation, and natural processes to maintain healthy sustainable ecosystems on a managed land base.

CLEAN ENERGY

A combination of client-defined projects and technology development programs to fill technology gaps helping Alberta achieve the outcomes defined in the Climate Change Strategy.

LAND AND WATER MANAGEMENT

Builds sustainable resource management capacity through research, development and deployment of scientifically valid land and water management tools.

ENVIRONMENTAL ANALYTICAL SERVICES

Comprehensive analytical solutions specializing in the analysis of organic and inorganic contaminants in water, wastewater, air, soil, sludge, solids, waste oil, solvents, sediment and biological tissues.

HEAVY OIL AND OIL SANDS

Offers specialized expertise, facilities and equipment in the areas of recovery technologies, surface separation technologies, production technologies, engineered materials, and mining and extraction.

LAUNCH

NuRx SERVICES

Putting Alberta's innovation system to work on solutions
for health start-up IMBiotechnologies Ltd.

"NuRx Services moves products along the pipeline; it's easy to get ideas from them when you're looking for resources."

NuRx Services, a specialized group within AITF focused on emerging health technologies, provided guidance and resources in IMB's early days as a new company. NuRx, with the support of the BioAlberta Medical Product Development Program, guided access to local resources, including regulatory testing conducted by Keystone Labs and Agrifood Discovery Place. Today, NuRx has next generation product testing underway for IMB with the support of NRC-IRAP and the Alberta Innovation Vouchers program.

IMB is an Edmonton-based, privately-held biotechnology company that literally grew up in Alberta. The founders, Mike Stewart and Irwin Griffith, believe in using local talent and resources to grow new opportunities – in this case, a company focused on producing biodegradable tumour therapeutics. From their perspective, it makes good sense to locate in Alberta alongside strategic centres of scientific and clinical excellence in interventional radiology.

"Every cent of start-up capital was sourced right here in Alberta," said Stewart. "This shows people are willing to invest in technologies that can improve the health of Albertans and help grow the biotech cluster here."

A small company like IMB needed help to conduct appropriate testing and create a next-generation product. Although huge challenges for a start-up, IMB found the solutions all right here in Alberta.

The support and resources available through AITF creates a competitive advantage for companies interested in developing and growing in Alberta. NuRx Services offers emerging health technologies a one-stop shop approach for locating the necessary resources and support to be successful.

Michael W. Stewart,
President & CEO (L) and
Irwin Griffith, Chief Operation
Officer (R) of IMB



RESEARCH
SUPPORT

AITF STRATEGIC INVESTMENTS

Building an entrepreneurial culture and increasing
Alberta's critical mass of innovation talent

AITF is developing world-class research talent and creating the right environment for businesses to grow and succeed in Alberta through a targeted portfolio of post-secondary and industry investment programs. AITF offered the following programs in 2010-11:

AITF Strategic Investment Programs

New Ventures

nanoWorks
Brings industry and post-secondary researchers together to increase industrial R&D investments and develop market-driven nanotechnology products.

Post-Secondary Investments

Graduate Student Scholarships
Supports academically superior graduate students undertaking a full-time research education at an Alberta university, leading to a research-based Master's or Doctoral degree in the areas of Information and Communication Technology (ICT), Nanotechnology, or Omics.

Innovation Vouchers

Helps entrepreneurs and small technology, knowledge-driven businesses in Alberta get ideas and products to market faster.

Industry Associates
Provides Alberta companies with access to research personnel and business expertise to help increase the capacity to use and commercialize technology.

INDUSTRY ASSOCIATES PROGRAM HELPING ALBERTA COMPANIES TAKE THEIR IDEAS TO THE NEXT LEVEL

Nanalysis Corp. uses funding support to help commercialize NMReady™

Established in October 2008, Nanalysis Corp. was like many emerging small to medium-sized high-tech companies in Alberta, ready to move ahead with an idea but needing additional resources to help bring their technology to market.

That is where AITF's Industry Associates (IA) program came in.

Through this program that provides Alberta companies with access to research personnel and business expertise to help increase capacity to use and commercialize technology, Nanalysis Corp. was able to access the key resources it needed to take its idea to the next level.

"With the support of AITF, we've been able to acquire key personnel who have really helped raise our company's research and business capabilities," said Bruce Lix, Director of Product Management of Nanalysis Corp. "All of which, will help bring our technology to market faster."

Through the IA program, Nanalysis was able to hire Dr. Greg McFeetors from the University of Calgary to address various research issues, ultimately leading the design team from concept to production. The IA program also enabled Nanalysis to bring Bruce Lix on board to tackle business issues, including market feasibility and business plan development.

As a result of the resources provided through the IA program, Nanalysis recently launched its first product, the NMReady™, a benchtop spectrometer with biotech, pharmaceutical, medicinal chemistry, polymer, food and cosmetic, and oil and gas applications. As well, Nanalysis leveraged the original support received from the IA program and moved into their second round of private investment. The company has also made significant inroads in identifying potential buyers for Nanalysis' product, and as a result generated commerce within Alberta.

Calgary-based Nanalysis develops laboratory instrumentation and diagnostic and detection products based on its unique Nuclear Magnetic Resonance (NMR) technology.

Nanalysis' NMReady™ benchtop spectrometer



BUILD ACCELERATE

AITF COLLABORATIONS

Making connections and pointing businesses
and entrepreneurs in the right direction

AITF works collaboratively with industry, academic, government and research sector stakeholders to address issues of provincial importance related to building globally competitive commerce. In 2010-11, AITF provided the following collaborative services and programs:

Centres for Research and Commercialization

Support industry, government and academic collaborations that reduce the time required for technologies to reach market. This is done through collaborative hubs where Alberta's top researchers address critical industry issues, support companies' R&D initiatives and create opportunities for Alberta's top students.

POST- SECONDARY INVESTMENTS

Alberta Regional Innovation Network

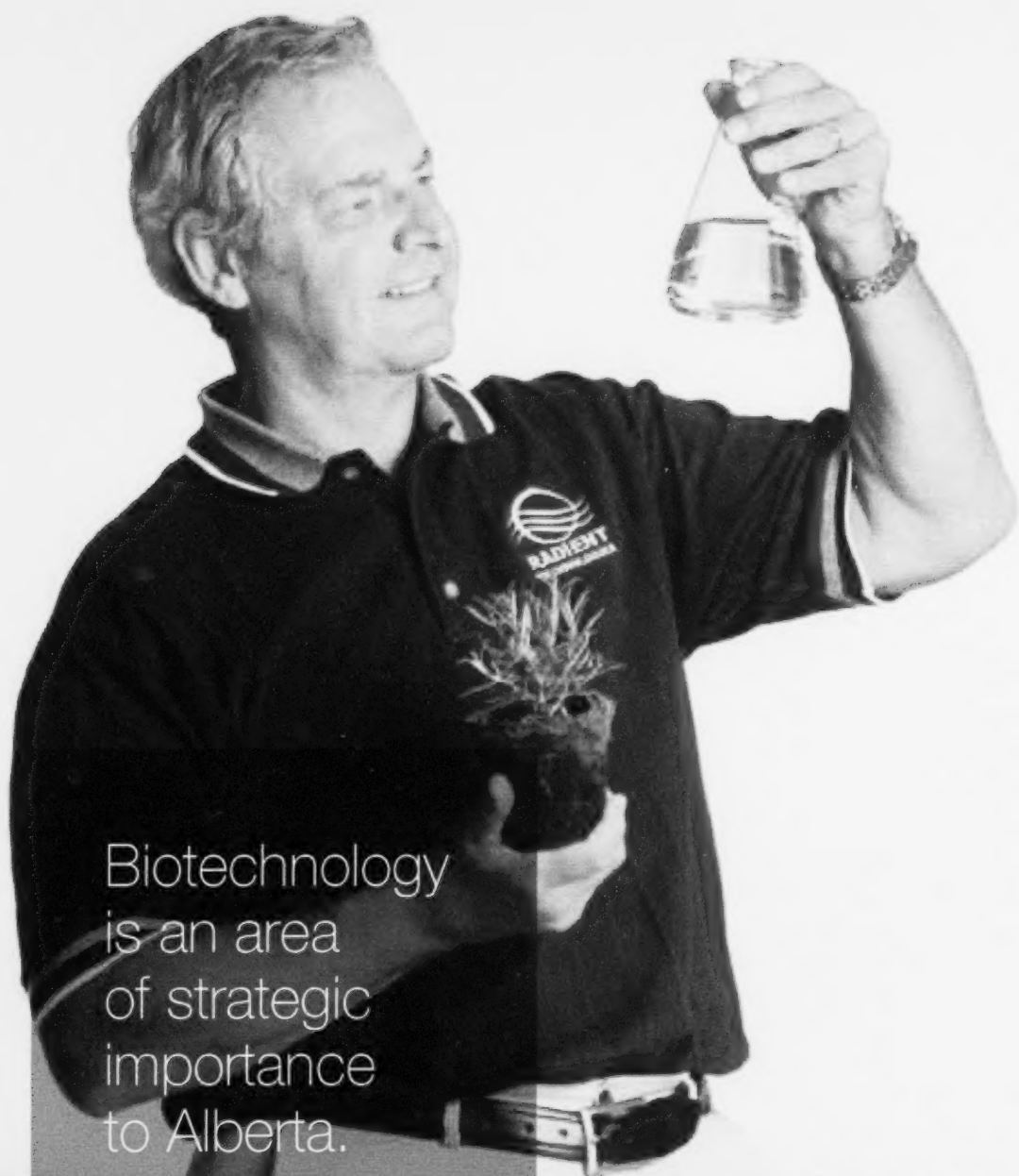
A new, integrated province-wide system ensuring small and medium-sized enterprises (SMEs) and innovators have access to vital services and resources in their geographical area to enable success. The Network brings together educational, economic development, research and other organizations to nurture the development and increase the likelihood of productivity and innovation in SMEs.

NEW VENTURES

nanoAlberta

Deliver the Alberta Nanotechnology Strategy by facilitating the expansion of research capacity and new commercial application development in the nanotechnology field.

EXCEL



Biotechnology
is an area
of strategic
importance
to Alberta.

Radiant President and
CEO David J. Cox

RESEARCH

ALBERTA

AITF LAUNCHES ALBERTA REGIONAL INNOVATION NETWORK

Coordinated approach provides greater access to support services

Great ideas sometimes need a bit of support to become a reality. Since 2006, five regional networks in Alberta have provided small and medium-sized enterprises (SMEs) with access to programs and resources to help develop globally competitive products and services. These regional networks, which are made up of economic development boards and alliances, and educational, commercialization and research institutes, work together to support local businesses and entrepreneurs recognizing the potential for wealth and job creation for Alberta's local regional economies.

In 2010-11, AITF developed an integrated approach to support existing and future regional networks to collaborate and share resources and services, better meeting the needs of businesses in their geographical areas.

For example, Radiant Technologies Inc., a specialist in the extraction, purification and isolation of high-value naturally derived compounds and ingredients from agricultural materials and other biomass, came to Alberta because of support from two organizations within Alberta's regional innovation network. With a focus on their patented

Microwave Assisted Processing (MAP™), Radiant received funding from AVAC Ltd., a private, not-for-profit company that invests in promising early-stage businesses; and TEC Edmonton, a business service provider that helps transform technologies into business opportunities. With a demonstration-scale manufacturing plant in Whitby, Ontario, Radiant now plans to build a full-scale MAP™ manufacturing plant in Edmonton.

"AITF is leading an integrated, pan-Alberta approach to ensure SMEs and innovators have access to vital services and resources essential for their success," said AITF's Acting Vice President of New Ventures, Rick Tofani. "Different networks offer different strengths, and we want to ensure that an entrepreneur in any part of Alberta has access to the best innovation services."

In 2010, AITF and key leaders from organizations within the regional networks began to develop strategies and business plans for the growth and continued success of the regional system. Plans for 2011-12 include developing new regional networks, providing technology development advisors by region, and increasing SME access to venture and angel financing.

STRATEGIC
INNOVATE

ALBERTA BIOMATERIALS DEVELOPMENT CENTRE

Creating new opportunities in traditional provincial sectors

The Alberta Biomaterials Development Centre (ABDC) is a collaborative initiative focused on building Alberta's bio economy.

Focusing on product innovation and commercialization, ABDC is building a world-class network to assist farmers, processors, and manufacturers who are bringing new ideas for traditional products to market. Through this network, the Centre provides knowledge, business, research and development services including access to pre-commercial scale processing, and the largest biomass processing pilot plant fractionation capacity in North America.

Growing the province's biomaterials industry by opening its doors to companies needing industry-leading facilities and expertise for developing new products from renewable biomass

The \$15-million investment from Alberta Advanced Education and Technology, Alberta Agriculture and Rural Development, Alberta Sustainable Resource Development and Alberta Innovates—Technology Futures (ATF), shows the province's support for this emerging sector and ABDC's work.

In a time when companies increasingly want to replace petroleum-based products with renewable biomaterials such as bioplastics, paper or biofuels, Alberta is able to contribute decades of expertise with renewable agriculture and forestry-based

feedstocks. The province also leads the nation in developing and commercializing biomaterials with expertise in lignocellulosic feedstock development, pulp and paper, biocomposites, green building products, textiles (woven and nonwoven), and environmental protection products. Such products can be integrated with biofuel and biochemical products through a biorefinery approach.

In supporting such complex research and development needs, ABDC offers industry more than equipment and researchers. It advances the projects of industry clients by guiding them to relevant government and/or partner services.

Addressing the world's climate change issue with carbon-negative building products built in Alberta

Forecasts estimate the world's green building market, design and building strategies that save energy, improve water efficiency, reduce CO₂ emissions, improve indoor environmental quality, and effectively manage resources and their impact, will be worth \$571 billion (US) by 2013.

ABDC is working to grow this industry in Alberta, engaging with the forward-thinking company American Lime Technology. American Lime Technology is the North American distributor of Tradical® Hemcrete® construction materials, a hemp-lime product used in insulating walls in new structures or retrofitting existing floors, roofs and walls.

These sustainable construction materials address the climate change issue by capturing carbon in the products while delivering high-performance, airtight, insulating walls. Though the products are already popular in Europe, American Lime Technology has expressed interest in moving its products into the North American building markets, by developing a source for the material in Canada for future projects in the US and Canada. ABDC is working with the company on applied research in the areas of agronomy, fibre processing, and product development. The Centre is also supporting the company in its efforts to build a commercial decortication facility in Canada with Canadian partners.

Helping agricultural entrepreneurs introduce new value-added products to the market

ABDC is working with Synerchem, a Calgary-based supplier of specialty chemicals for the oilfield, to develop and bring a new product to market and build a production plant in Alberta. Synerchem has invented a proprietary hydroseeding material that is a blend of specialty chemicals, agricultural fibres and recycled paper fibres. The special blend is unique because it 'sticks' to soils at higher inclines than other products and can aid in erosion control for reclamation, new construction and irrigation projects. As a result of its partnership with ABDC, Synerchem will be opening a manufacturing plant in Calgary in Spring 2011.

A sample of prepared hemp fibre at AITF used for bio-composite structural components



Purpose:

To provide a centralized and specialized facility focusing on biomaterials

Partners:

Alberta Life Sciences Institute, Agriculture and Rural Development, Sustainable Resource Development and Alberta Innovates—Technology Futures (AITF)

SCIENCE
TECHNOLOGY

GOALS, OUTCOMES AND PERFORMANCE MEASURES

AITF: Building a foundation for success

In its first full year of operation, AITF developed the operational and strategic elements to sustain long-term growth. Activities focused on building the infrastructure for a strong, progressive organization, realigning the corporation to meet its new mandate, and integrating program areas. As well, the four heritage organizations came together and new, collaborative initiatives and partnerships were created.

BUILDING A STRATEGIC FRAMEWORK

A priority for AITF in 2010-11 was to develop the first strategic and operational plans, and consolidated budget.

Key Outcomes:

1) Four goals and related strategies were approved by the AITF Board for 2011-12:

Goal 1: On an annual basis, impact the Alberta economy by 10 times AITF's annual operating budget.

Strategies:

- Build and leverage a dynamic regional innovation partnership model for customers throughout Alberta to access AITF programs and services.
- Introduce a customer engagement, management and loyalty model that meets the needs of AITF's customers.
- Refine and focus industry and academic programs in areas that produce the most significant results for customers and stakeholders.

- Develop metrics that allow stakeholders to evaluate the economic and social returns on investments from AITF's programs and services.

Goal 2: Double the economic impact of small and medium-sized enterprise (SME) technology companies in Alberta by 2016.

Strategies:

- Establish priority areas in both technology and markets.
- Increase support of regional delivery partners offering services to SMEs.
- Improve program delivery and introduce new programs in response to the needs of SMEs.
- Increase and enhance relationships with the capital investment sector.

Goal 3: Contribute to a diversified economy in Alberta by focusing on creating innovation within the province's natural areas of strength.

Strategies:

- Provide technology and innovation support to Alberta's leading economic sectors.
- Maintain existing research, development and innovation capacity with a strong focus on industry outcomes.
- Work closely with existing SMEs to identify and capitalize on diversification opportunities.

- Work closely with Alberta Innovates corporations and Alberta government departments to align AITF's services with their requirements.

Goal 4: Be recognized as the preferred innovation and commercialization entity in Alberta by industry and academia.

Strategies:

- Enhance the innovation capacity of AITF's partners through the delivery of new and innovative services.
- Provide AITF's partners and stakeholders with robust intelligence on global market characteristics, trends and forces.
- Provide advisory services for technology business planning, strategy development and commercialization policies.
- Embrace innovation internally by continuously improving corporate performance, based on client and partner feedback, and by adopting best practices of leading organizations.

2) Key performance indicators and targets were established to help AITF track progress against its goals, quantify the value delivered to clients and ensure alignment with the priorities of Alberta Advanced Education and Technology and the measurement criteria of partner organizations.

The 2011-12 performance measures are outlined in the Management Discussion and Analysis on page 25-26 of this report. Indicators were developed based on the following three criteria:

- Contribution to Alberta's economic prosperity and industrial economic growth.
- Alignment with and contribution to Government of Alberta departmental plans.
- Impact on innovation.

3) AITF's new strategic plan, goals and measures were communicated to employees in March 2010. Stakeholder communications will begin in 2011-12.

CORPORATE REALIGNMENT

To address some of the challenges resulting from the merger of four organizations, several initiatives were launched to improve operational efficiency and establish AITF as a new entity.

Key Outcomes:

- 1) Initiated a change management process to meet AITF's new mission, mandate and corporate culture.
- 2) Produced a comprehensive set of corporate policies to align with corporate goals in accordance with the guidelines of the Government of Alberta.
- 3) Merged the compensation processes for non-bargaining staff from the four heritage organizations into a single performance-focused philosophy to meet AITF's current and future operations in alignment with public and private sector best practices.

4) Initiated a multi-year project to develop an internal Corporate Information System to improve management efficiency and support client information services.

5) Launched the AITF brand including new corporate visual identity standards, a new consolidated external website, a revitalized employee intranet, and a corporate information package.

6) Realigned AITF's organizational structure to deliver on the new mandate.

PROGRAM INTEGRATION AND RATIONALIZATION

A major area of focus for AITF in 2010-11 was the integration and alignment of programs from the four heritage organizations.

Key Outcomes:

1) AITF assumed delivery of the following grants and awards programs from three of the heritage corporations (Alberta Ingenuity, iCORE and nanoAlberta) in addition to programs from AET's 'Bringing Technology to Market Action Plan':

- Innovations Vouchers Program (AET)
- Youth Technopreneurship (AET)
- Graduate Student Scholarships (Alberta Ingenuity, iCORE and AET)

- Industry Associates Program (Alberta Ingenuity)
- Centres for Research and Commercialization (Alberta Ingenuity)
- nanoWorks (Alberta Ingenuity)
- Chair and Professor Establishment Program (iCORE)

COLLABORATIONS AND PARTNERSHIPS

Another priority for AITF in 2010-11 was building strategic collaborations across Alberta and within the province's research and innovation system.

Key Outcomes:

1) Established working relationships with innovation system partners through the creation and leadership of the Alberta Regional Innovation Network.

2) Conceptualized the Alberta Innovates Academy to serve as a link between the four Alberta Innovates corporations and Campus Alberta.

3) A major carbon capture and storage project supported by the Alberta Climate Change and Emissions Management Corporation was initiated through collaboration between AITF, General Electric, Alberta Advanced Education and Technology, and the University of Alberta.

MANAGEMENT DISCUSSION AND ANALYSIS

Alberta Innovates – Technology Futures 2010-11 Annual Report

Forward-Looking Statements

Statements in this Annual Report contain forward-looking statements about the objectives of Alberta Innovates – Technology Futures (AITF) and management's expectations, beliefs, intentions and strategies for the future.

All forward-looking statements reflect management's current views as at March 31, 2011, with respect to future events and are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and assumptions include, but are not limited to: general economic conditions; actions by government authorities; actions by regulatory authorities; availability of staff; foreign exchange rates; competitor activity; and pricing pressures.

Corporate Profile

AITF was established on January 1, 2010, as a provincial corporation that operates under the authority of the *Alberta Research and Innovation Act* to support research and innovation activities targeted at the development and growth of technology-based sectors in alignment with Government of Alberta priorities.

AITF builds on the legacy of the former Alberta Ingenuity, Alberta Research Council, iCORE, nanoAlberta, and other programs formerly operated by Alberta Advanced Education and Technology. AITF's sole shareholder is the Government of Alberta and, as such, is accountable to the Minister of Advanced Education and Technology.

AITF's vision is to be recognized as Canada's leader in generating prosperity by accelerating innovation and entrepreneurship. Its business is to help build globally competitive commerce in Alberta by facilitating commercial use of new technologies, developing new knowledge-based industries and encouraging an entrepreneurial culture in Alberta.

TECHNICAL
COMMERCIALIZE

AITF Operational Priorities

AITF operational segments are R&D Technical Support, Industrial and Post-Secondary Support and Small and Medium-sized Enterprise Support.

A) R&D Technical Support for Commercialization:

R&D Technical Support provides technology and innovation to Alberta's leading economic sectors to accelerate commercialization and build commerce. This segment represents 54% or \$81.2 million of AITF's 2010-11 expenditures. Support to industry comprises contract research, consortia, technology transfer, joint research partnerships, collaboration agreements, and pilot plant scale-up and product development in the following market domains:

- Value-Added Petroleum Processing
- Bitumen and Heavy Oil
- Unconventional Gas and Light Oil Recovery
- CO₂ Conversion, Capture and Storage
- Emerging Technologies
- Industrial Bio Products
- Health
- Integrated Land and Water Management
- Resource Recovery

B) Industrial and Post-Secondary Support for Commercialization:

Industrial and Post-Secondary Support focuses on effective commercialization, technology transfer, hi-tech product development and supporting highly qualified professionals and researchers through dynamic collaborations among industry, government and academic partners. It also assists with building world-class industry/academic research capacity to drive commercialization and commerce in Alberta, laying a foundation for economic diversification. This segment represents 37% or \$56 million of AITF's 2010-11 expenditures. Key program elements include:

- Centres in ICT, Health and Nanotechnology
- Industry Associates
- *nanoWorks*
- Innovation Vouchers
- Graduate Student Scholarships

C) Small and Medium-sized Enterprise Support for Commercialization:
Small and Medium-sized Enterprise (SME) support facilitates the commercialization of new technologies, the development of knowledge-based industries and an entrepreneurial culture primarily through SMEs. This segment represents 9% or \$14.3 million of AITF's 2010-11 expenditures. Key program elements include:

- Regional Innovation Network Development
- Executives-in-Residence
- Technology Development Advisors
- Product Demonstration
- Joint AITF/SME Technology Development Initiatives

AITF Goals and Performance Indicators

AITF has the following goals from its 2010 Strategic Business Plan:

1. Achieve on an annual basis, an impact to the Alberta economy of ten-times the annual investment from the province. In 2010-11, this will be an impact of at least \$1 billion.
2. Double the impact of SMEs in the technology sector by 2016 measured by their economic impact on the province.
3. Contribute to a diversified economy in Alberta that is focused on creating innovation within our natural strength areas.
4. Be recognized as the preferred innovation and commercialization entity in Alberta by both industry and academia.

All three operational segments will contribute to each of these goals through their contracts, programs, grants, investments and partnerships. Their contribution will be assessed by an annual economic impact assessment.

Key Performance Indicators:

AITF's key performance indicator is the economic impact on Alberta. To ensure value is created for stakeholders, this object is defined in AITF's mission statement: to build globally competitive commerce in Alberta. Measurement of this objective involves an annual economic impact assessment.

Targets and measures for a number of performance indicators were not set for 2011 as it was the company's first year of operations. Performance targets have been set for 2012.

TARGETS GOAL PERFORMANCE

Goals	Performance Indicator	2016 Annual Target	2012 Annual Target	2011 Target	2011 Actual
Economic Impact on Alberta Economy	Total Economic Impact ^{1,2}	\$1.5B+	\$1.2B	\$1B	\$1.4B
	Jobs Created ^{1,3}	TBD	TBD	-	-
	Mandate Effectiveness ⁴ (\$ economic impact/\$ provincial investment)	13X	10X	10X	12X
Double Economic Impact of SMEs	Economic impact from SMEs ¹	\$56M	TBD	-	-
Improve Understanding, Accountability and Relevance with Customers and Stakeholders	Excellent customer satisfaction	95%	90%	-	-
Create Innovation within our Natural Strength Areas by Refining and Refocusing Programs	Commercialization to AITF Investment Leverage	4:1	2.7:1	-	-
Innovating Internally	Employee Satisfaction	95%	85%	-	-
	Corporate Overhead as % of Total Revenue ⁵	9.5%	10.1%	10.1%	10.0%

¹ As measured by the annual economic impact assessment.

² Direct minimum economic impact on the province is defined as the increase in sales, cost-savings or funding attracted by an AITF customer, partner or grant recipient as a result of working with AITF. The data for the economic impact is gathered from customer, partner or grant recipient interviews that are documented in performance reports signed off by the customer, partner or grant recipient as being correct; or by reports from other agencies or government departments. The direct economic impact should be considered a minimum number as only a sample of AITF customers, partners and grant recipients are included in the process. No claim is made that the economic impact reported is from a statistically representative sample. The direct economic impact reported is the sum of the interviews and information gathered from the reports reviewed and is not a projected number of AITF's overall activities.

³ Jobs created is defined as "the jobs created or saved resulting from the work done by AITF for a customer or partner or grant awarded by AITF to a grant recipient."

⁴ Mandate effectiveness is calculated by dividing the total economic impact by the total provincial investment in AITF. Total provincial investment includes annual grants and contract revenue from the province, as well as accommodation costs covered by the province.

⁵ Corporate overhead includes the cost of executive offices and corporate services.

	2010 Actual	2011 Actual	2011 Budget	2012 Budget
Total Revenue	137,959	156,369	143,793	160,480
Grants from the Province of Alberta	79,113	81,713	81,113	93,988
External Contract Revenue	45,992	54,111	50,833	54,201
Contract Revenue from Province of Alberta	9,059	14,877	6,808	9,234
Product Sales	3,466	5,175	4,614	2,627
Salaries, Wages and Employee Benefits	61,456	59,431	62,082	65,084
Grants Awarded	49,096	60,604	51,332	60,246
Operating (Deficit) Surplus	(652)	2,631	326	484
Leverage ¹	0.74	0.91	0.77	0.71
Investment in Capital Assets	2,739	4,709	2,800	4,475
Working Capital ²	7,261	10,244	7,839	7,200
Total Employee Turnover	10.7%	12.8%	10%	10%

¹ Leverage = [Total Revenue less Grant from Province of Alberta] divided by [Grant from the Province of Alberta]

² Working Capital = Current Assets less Current Liabilities

³ All figures in thousands

Financial Highlights³

The results for the years ended March 31, 2011, and 2010, are summarized above and include the consolidated results for AITF and its wholly owned subsidiary C-FER Technologies (1999) Inc.

AITF Funding

During 2010-11, AITF's total revenue was \$156.4 million of which \$81.7 million was grant funds from the Province of Alberta. External contract revenue totalled \$54.1 million. Grant funds were used to award grants of \$60.6 million. The remainder was used to support commercialization, technology transfer, strategic programs and investment in capital equipment.

The province's annual core grant to AITF is vital to maintain stability, leverage consortia and generate additional longer-term research support from other government and industry sources. AITF

strives to maintain long-term strategic research and development capacity on behalf of the Government of Alberta while ensuring relevance through market discipline and industrial linkages.

Grants awarded support the commercialization needs of industry, post-secondary institutions and other research performers. Funding is also provided to regional delivery providers, to provide a pan-Alberta approach to commercialization and accelerated growth within technology-based organizations and clusters.

Results of Operations

Total revenue increased by 13.3% to \$156.4 million of which the provincial grants were \$81.7 million.

Leverage, a ratio equal to total revenue less grants from the Province of Alberta divided by grants from the Province of Alberta, was 0.91.

Revenue

- Total revenue for 2010-11 was \$156.4 million, which is \$12.6 million greater than budget due to higher external and provincial government contract revenue.
- Grants from the Province of Alberta were \$81.7 million, which is \$600,000 greater than budget due to funding adjustments from the province.
- External contract revenue was \$54.1 million, which is \$3.3 million greater than budget due to higher revenue earned by C-FER Technologies and unbudgeted contract revenue from the Federal government.
- Contract revenue from Alberta government sources was \$14.9 million, which is \$8.1 million greater than budget due to higher program funding.
- Product sales were \$5.2 million, which is \$561,000 greater than budget due to more sales than expected.

Expense

- Salaries, Wages and Employee Benefits totalled \$59.4 million, which was \$2.7 million less than budget due to less new hires and no performance pay.
- Grants awarded totalled \$60.6 million, which was \$9.3 million more than budget due to higher program funding from the province.

Surplus

- Net operating surplus was \$2.6 million including a \$2.2 million partial write-down of a capital asset with reduced functionality.
- The net operating result of \$2.6 million is \$2.3 million greater than budget. This increase is due to \$1.5 million in client-funded assets and lower expenses.

Financial Condition

- Total AITF assets were \$74.3 million, which is \$3.2 million less than 2010 due to lower accounts receivable.
- Total accounts receivable were \$20.3 million. The aged profile of accounts receivable was 12.6% over 90 days
- Working capital was \$10.2 million compared to \$7.3 million last year-end.
- Investment in capital assets was greater than budget by \$1.9 million mainly due to client-funded assets.
- AITF net assets were \$34.8 million.

Human Resources

- Total employee turnover was 73 or 12.8% for the year. Total employees hired was 59.

INTERNATIONAL BUSINESS

Outlook

As the world recovers from the financial market turmoil, AITF will focus on changing business conditions, financial prudence and organizational productivity. AITF will take further steps to improve the linkage between its operations and strategic plan by fully implementing the corporate planning and market foresight capacity. This will identify critical issues, needs and opportunities within industrial sectors and guide program development and commercialization.

AITF will internalize the performance measurement and planning functions within AITF and fully implement the customer-partner-grant recipient economic impact measurement process. AITF will also continue to improve overall productivity through streamlining overhead costs and productivity gains in R&D Technical Support services.

Phase Two of the corporate information system, which includes new financial and human resources systems, will begin implementation during 2011-12 with targeted completion in mid-2012-13. Phase Three will include project management, grants management and customer relations systems.

The AITF operating budget Plan for 2011-12 includes \$160.5 million in total revenue, which includes \$94 million in grants from the province, a 16% cent increase from 2010-11. External contract revenue is budgeted at \$54.2 million which is about the same as 2010-11. Alberta Government contract revenue is expected to be \$9.2 million which is a

decrease of 38% from 2010-11. Products sales are budgeted at \$2.6 million, which is a decrease of 49% due to the planned spin-off of the technology.

Risk Management

AITF is exposed to many factors that could adversely affect its operations and outcomes. As part of the Enterprise Risk Management process, senior management identifies risks pertaining to stakeholders, market, financial and operations (e.g. facility, health, safety and environment, legal and employee).

Each risk is assessed as to occurrence and impact, compared to the previous year's assessment, provided risk mitigation actions and strategies and ranked by senior management. A comprehensive risk assessment is presented annually to the Audit Committee of the Board of Directors. The five highest ranked risks are summarized as follows:

1. Infrastructure Funding Risk

AITF is highly dependent on ongoing infrastructure support from the province who owns, operates and maintains all AITF facilities. Any significant decrease in support could jeopardize AITF's ability to operate and could lead to loss of customers and partners and limit its ability to achieve its mandate. AITF risk mitigation strategies include working with the province to secure funding for renovations, re-allocation of existing programs within current facilities and prioritizing programs for future growth or reduction.

2. Strategic Risk

Strategic planning and priorities must be in areas beneficial to AITF's provincial mandate or AITF could have its core grant from the province reduced and/or lose relevance as a funding organization. To mitigate this risk, strategic and operating plans will feed off foresight planning and GoA strategic priorities and the operating plan will be developed in alignment with the strategic plan.

3. Demand for Services and Products

Fluctuations in demand based on economic downturns, competitive or customer specific factors can cause work to become scarce in affected sectors. To mitigate this risk, AITF will focus on client relationship management and delivering unique and superior services and products by matching capacity to demand and focusing on issues critical to Alberta.

4. Reputation

The recent Alberta Innovates system changes have significantly challenged the heritage organizations branding resulting in some loss of confidence by some customers. Reputation is strongly dependent on people outside government understanding the new AITF. Any of the risks faced by AITF as well as a major crisis could potentially have a negative impact on corporate reputation.

To mitigate this risk, AITF will meet Alberta Innovates strategies to deliver the innovation

agenda and assist economic development for Alberta. AITF will also ensure all actions and strategies to mitigate risks as identified in the comprehensive risk assessment are implemented.

5. Retention of Key Staff and Retirement of Highly Qualified Personnel

Recruiting and retaining world-class engineers, scientists and staff have a direct bearing on the research undertaken and its value to Alberta. Highly qualified researchers with excellent reputations are subject to recruitment by industry and government. Retirement of employees is a significant concern as a large portion of the current workforce is or will soon become eligible for full pension status. The loss of next generation scientific and professional leadership could have significant repercussions on AITF's ability to deliver on its Provincial mandate, maintain credibility and international leadership and global scientific/technical leadership.

To mitigate these risks, AITF has a comprehensive performance management and compensation system to attract and retain top scientists and engineers. AITF will establish development strategies for individuals identified as future program and operational leaders, strategically hire new employees to offset the loss of knowledge through an orderly or systematic knowledge transition and establish alternative working arrangements for potential retirees.

Corporate Governance

AITF's Board of Directors presently includes 11 members all of whom are independent and free from any interest that could interfere with their ability to act in the best interest of the Corporation and its owner, the Government of Alberta.

The board's mandate is to oversee and make accountable AITF's management, with a view to the company's best interests.

The board fulfills its mandate by:

- Overseeing the strategic and business planning process;
- Understanding the principal risks of the corporation's business and ensuring appropriate systems are in place to manage those risks;
- Approving, developing and monitoring the senior executive team;
- Ensuring AITF has policies and processes in place to communicate effectively with the Government of Alberta, other stakeholders and the public in general;

- Reviewing and approving the annual audited financial statements, quarterly financial statements and related Management Discussion and Analysis based on recommendations of the Audit Committee;
- Ensuring effective internal control and information systems are in place so the board can discharge its legal responsibilities especially in relation to the integrity of financial data, accounting principles, environmental regulations, corporate strategy implementation and material decisions.

AITF's board includes the Governance and Compensation Committee and an Audit Committee, which are composed entirely of independent directors. The Governance and Compensation Committee ensures an appropriate corporate governance system is in place for the Board to discharge its obligations, reviews compensation and performance of the CEO and other senior management and assesses the performance of the Board and Board Committees. The Audit Committee monitors, evaluates, advises and makes recommendations to the board on matters affecting the annual financial audit, risk management and the internal control policies and practices of the Corporation.

This Management Discussion and Analysis is dated as of May 18, 2011.



FINANCIAL
STATEMENTS

INVENT
TRANSFORM

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To Our Stakeholders,

Alberta Innovates – Technology Futures' management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report including the financial statements, performance, results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meet reporting requirements, and to ensure that transactions are executed in accordance with all relevant legislation, regulations and policies.

The annual report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of the Province of Alberta, the corporation's external auditor under the Auditor General Act, performs an annual independent audit of Alberta Innovates – Technology Futures' financial statements in accordance with Canadian auditing standards.

Signed,

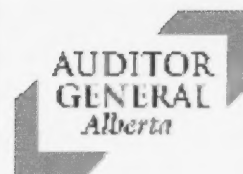


Gary Albach, PhD
President and CEO



Keith D. Salmon, CA
CFO

PERFORMANCE INVEST



Independent Auditor's Report

To the Board of Directors of Alberta Innovates—Technology Futures

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Innovates-Technology Futures, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Innovates-Technology Futures as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by
Merwan N. Saher

Auditor General

May 18, 2011

Edmonton, Alberta

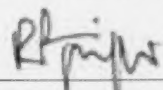
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011 (dollars in thousands)

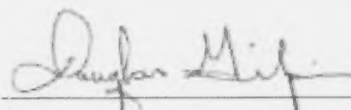
	2011	2010 (RESTATED - NOTE 3)
ASSETS		
Cash (Note 4)	\$ 29,530	\$ 23,458
Accounts Receivable and Other Assets (Note 5)	20,254	29,200
Tangible Capital Assets (Note 6)	24,510	24,862
	<u>\$ 74,294</u>	<u>\$ 77,520</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	20,846	17,304
Unearned Revenue (Note 7)	18,694	28,093
	<u>39,540</u>	<u>45,397</u>
NET ASSETS		
Net Assets at Beginning of Year	32,123	32,775
Net Operating Results	2,631	(652)
Net Assets at End of Year	<u>34,754</u>	<u>32,123</u>
	<u>\$ 74,294</u>	<u>\$ 77,520</u>
CONTRACTUAL OBLIGATIONS (NOTE 8)		

The accompanying notes and schedules are part of these consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS



Director



Director

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2011 (dollars in thousands)

	2011 Budget	2011 Actual	2010 Actual (RESTATED - NOTE 3)
REVENUES			
Grants from Province of Alberta	\$ 81,113	\$ 81,713	\$ 79,113
External Contract Revenue	50,833	54,111	45,992
Contract Revenue from Province of Alberta	6,808	14,877	9,059
Product Sales	4,614	5,175	3,466
Interest Income	425	493	329
	143,793	156,369	137,959
EXPENSES - DIRECTLY INCURRED (SCHEDULE 1 AND NOTE 2 C)			
R&D Technical Support	79,448	81,202	76,234
Industrial & Post Secondary Support	47,652	56,035	49,821
Small and Medium Enterprise Support	16,367	14,321	11,805
	143,467	151,558	137,860
	326	4,811	99
IMPAIRMENT OF TANGIBLE CAPITAL ASSETS	-	2,180	751
NET OPERATING RESULTS	\$ 326	\$ 2,631	\$ (652)

The accompanying notes and schedules are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011 (dollars in thousands)

	2011	2010 (RESTATED - NOTE 3)
OPERATING TRANSACTIONS		
Net Operating Results	\$ 2,631	\$ (652)
Non-Cash Items Included in Net Operating Results:		
Amortization	2,872	2,906
Impairment of Tangible Capital Assets	2,180	751
Net change in Non-Cash Working Capital Items:		
Decrease/(Increase) in Accounts Receivable & Other Assets	8,946	(7,224)
Increase/(Decrease) in Accounts Payable & Accrued Liabilities	3,542	(421)
(Decrease)/Increase in Unearned Revenue	(9,399)	5,745
Cash Provided by Operating Transactions	10,772	1,105
CAPITAL TRANSACTIONS		
Acquisition of Tangible Capital Assets	(4,709)	(2,739)
Proceeds on Sale of Tangible Capital Assets	9	-
Cash Applied to Capital Transactions	(4,700)	(2,739)
INCREASE/(DECREASE) IN CASH	6,072	(1,634)
CASH AT BEGINNING OF YEAR	23,458	25,092
CASH AT END OF YEAR	\$ 29,530	\$ 23,458

The accompanying notes and schedules are part of these consolidated financial statements.

GLOBAL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

NOTE 1

Authority and Purpose

Alberta Innovates—Technology Futures (the Corporation) is a Provincial Corporation that was established on January 1, 2010 and operates under the authority of the Alberta Research and Innovation Act. The objects of the Corporation are to support, for the economic and social well-being of Albertans, research and innovation activities targeted at the development and growth of technology-based sectors and aligned to Government of Alberta priorities, including, without limitation, activities directed at the commercialization of technology and the application of knowledge.

The Corporation is exempt from Canadian federal and Alberta provincial income taxes.

NOTE 2

Summary of significant accounting policies and reporting practices

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB). The PSAB financial statement presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the Corporation.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires

the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, C-FER Technologies (1999) Inc. All intercompany balances and transactions have been eliminated on consolidation.

b) Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Operating and unrestricted grants are recognized as revenue in the year the transfers are authorized. Restricted grants are included in unearned revenue when received, and recognized as revenue when the Corporation meets the conditions of the grant.

Contract revenue is recognized using the percentage of completion method. The Corporation makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Revenue from product sales is recognized when products are delivered. Interest income is

recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

c) *Expenses*

Directly incurred expenses are costs the Corporation has primary responsibility and accountability for including operating expenses such as salaries and benefits, and supplies and services.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Services contributed by other entities in support of the Corporation's operations have not been recorded in the financial statements and are disclosed in Schedule 3.

d) *Assets*

Financial Assets

Financial assets of the Corporation are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Tangible Capital Assets

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful

life of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for major systems enhancements is \$25,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Donated tangible capital assets are recorded at their fair value at the time of contribution. Fair value is defined as the amount of consideration that would be agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act. Amortization is only charged if the asset is in use.

e) *Net Assets*

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

f) *Patents*

Expenses incurred related to patents owned by the Corporation as a result of research activity are not capitalized due to the uncertain value of benefits which may accrue to the Corporation.

g) *Other Intangible Assets*

Expenses incurred on the development of other intangible assets, including intellectual capital, are not capitalized unless it is probable that the expected future economic benefits that are attributable to the asset will flow to the Corporation and the cost of the asset can be measured reliably.

LEVERAGE

h) Employee Future Benefits

The Corporation participates in multi-employer defined benefit pension plans with related government entities that provide pensions for the Corporation's participating employees based on years of service and earnings. The Corporation does not have sufficient plan information on these pension plans to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension costs included in these financial statements are comprised of the cost of the employer contributions for the current service period of employees during the year and additional employer contributions for service relating to prior years.

The Corporation operates a defined contribution pension plan. Pension costs included in these financial statements are comprised of the cost of employer contributions for the current service of employees during the year. There are no unfunded liabilities with respect to pension and pension costs.

NOTE 3

Program Transfers (in thousands)

As part of the restructuring of the Alberta research and innovation programs, the Ministry of Advanced Education and Technology transferred the assets and liabilities of the Regional Support Services, Youth Technopreneurship Project and the Innovation Voucher Program to the Corporation effective April 1, 2010.

As a result of the transfer, the prior years figures have been restated as if the Corporation had always been assigned with its current responsibilities. The impact on the 2010 Consolidated Statement of Operations is increased revenue in the amount of \$4,517 shown as Grants from Province of Alberta and increased expense in the amount of \$4,517 shown as Small and Medium Enterprise Support. The impact on the 2010 Consolidated Statement of Financial Position is decreased Accounts Receivable of \$857, increased Accounts Payable of \$755 and decreased Unearned Revenue of \$1,612.

NOTE 4

Cash (in thousands)

Cash is comprised of cash deposited in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is administered by the Ministry of Finance and Enterprise with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital.

CCITF is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2011, securities held by the Corporation have an annualized rate of return of 1.08% per annum (2010 – 0.97% per annum).

NOTE 5

Accounts receivable and other assets (in thousands)

	2011		2010	
	Gross Amount	Allowance for doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	\$ 11,922	\$ 339	\$ 11,583	\$ 10,349
Alberta Government Departments and Agencies	1,099	-	1,099	\$ 11,997
Accrued income receivable	7,155	-	7,155	6,306
Prepaid	417	-	417	548
	\$ 20,593	\$ 339	\$ 20,254	\$ 29,200

Accounts receivable are unsecured, non-interest bearing and reported at their estimated net realizable value.

COMMERCIALIZE

FOSTER

NOTE 6

Tangible capital assets (in thousands)

	Land	Building (a)	Equipment	Computer Hardware	2011 Total	2010 Total
ESTIMATED USEFUL LIFE	Indefinite	30 years	5-20 years	3 years		
HISTORICAL COST						
Beginning of year	\$ 566	\$ 4,479	\$ 47,735	\$ 2,429	\$ 55,209	\$ 53,777
Additions	-	502	3,588	619	4,709	2,739
Disposals, including impairment	-	-	(747)	(62)	(809)	(1,307)
	<u>\$ 566</u>	<u>\$ 4,981</u>	<u>\$ 50,576</u>	<u>\$ 2,986</u>	<u>\$ 59,109</u>	<u>\$ 55,209</u>
ACCUMULATED AMORTIZATION						
Beginning of year	-	\$ 1,421	\$ 27,009	\$ 1,917	\$ 30,347	\$ 27,997
Amortization expense	-	206	2,342	324	2,872	2,906
Effect of disposals, including impairment	-	-	1,441	(61)	1,380	(556)
	<u>\$ -</u>	<u>\$ 1,627</u>	<u>\$ 30,792</u>	<u>\$ 2,180</u>	<u>\$ 34,599</u>	<u>\$ 30,347</u>
NET BOOK VALUE AT END OF YEAR						
	<u>\$ 566</u>	<u>\$ 3,354</u>	<u>\$ 19,784</u>	<u>\$ 806</u>	<u>\$ 24,510</u>	<u>-</u>
NET BOOK VALUE AT BEGINNING OF YEAR						
	<u>\$ 566</u>	<u>\$ 3,058</u>	<u>\$ 20,726</u>	<u>\$ 512</u>		<u>\$ 24,862</u>

(a) Building includes Leasehold Improvements which are amortized over 25 years.

(b) The net book value of capital assets under construction that are not currently being amortized is \$2,295.

NOTE 7

Unearned Revenue (in thousands)

	2011	2010
Balance, beginning of year	\$ 28,093	\$ 22,348
Grants received	2,327	11,124
Investment income received	85	66
Grants recognized into revenue	(7,836)	(7,486)
Investment income recognized into revenue	(85)	(66)
Net changes for commercial contract revenue	(3,890)	2,107
	<u>\$ 18,694</u>	<u>\$ 28,093</u>

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NOTE 8

Contractual Obligations (in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
OBLIGATIONS UNDER:		
Operating Leases	\$ 3,263	\$ 3,144
Grants	101,435	83,705
	<u>\$ 104,698</u>	<u>\$ 86,849</u>

Estimated payment requirements for each of the next five years are as follows:

	Operating Leases	Grants	Total
2012	\$ 799	\$ 29,258	\$ 30,057
2013	828	33,529	34,357
2014	722	17,518	18,240
2015	519	13,130	13,649
2016	395	8,000	8,395
	<u>\$ 3,263</u>	<u>\$ 101,435</u>	<u>\$ 104,698</u>

NOTE 9

Employee Benefits (in thousands)

The Corporation participates in three multi-employer pension plans, Management Employees Pension Plan, Supplementary Retirement Plan and Public Service Pension Plan, as well as a Defined Contribution Plan. The expense for these pension plans is equivalent to the annual contributions of \$4,745 for the year ended March 31, 2011 (2010 – \$3,835).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of \$397,087 (2009 deficiency \$483,199) and the Public Service Pension Plan reported a deficiency of \$2,067,151 (2009 deficiency \$1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$39,559 (2009 – deficiency \$39,516).

NOTE 10

Comparative Figures

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

SCHEDULE 1- EXPENSES DIRECTLY INCURRED BY OBJECT

FOR THE YEAR ENDED MARCH 31, 2011 (dollars in thousands)

	2011 Budget	2011 Actual	2010 Actual (RESTATED - NOTE 3)
Grants	\$ 51,332	\$ 60,604	\$ 49,096
Salaries, Wages & Employee Benefits	62,082	59,431	61,456
Supplies & Services	26,449	28,651	24,402
Amortization of Tangible Capital Assets	3,604	2,872	2,906
	<u>\$ 143,467</u>	<u>\$ 151,558</u>	<u>\$ 137,860</u>

SCHEDULE 2

EXECUTIVE COMPENSATION

FOR THE YEAR ENDED MARCH 31, 2011

	2011				2010
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Chair of the Board	\$ -	\$ 18,580	\$ -	\$ 18,580	\$ 1,368
Board Members	-	113,994	-	113,994	9,166
Chief Executive Officer	295,000	6,000	68,951	369,951	398,553
EXECUTIVES:					
Chief Operating Officer	255,012	65,062	74,188	394,262	291,171
Chief Financial Officer	229,500	55,457	67,588	352,545	262,302
Vice President, New Ventures (4)	152,582	-	38,319	190,901	188,988
Vice President, Communications (4)	135,048	-	35,319	170,367	262,190
Vice President, Human Resources (5)	87,358	-	23,245	110,603	-

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes regular base pay.
- (2) Other cash benefits include honoraria for board members. Other cash benefits for executives include vacation pay, car allowance and compensation for additional responsibilities during 2009-10. There were no bonuses paid to executives in 2011.
- (3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, employee health care expense accounts, dental coverage, major medical, group life insurance, short and long term disability plans, Workers Compensation Board premiums (estimated) and professional memberships.
- (4) Current incumbents are in an acting capacity for these positions.
- (5) Vice President, Human Resources position was effective October 25, 2010.

ENTREPRENEUR

SCHEDULE 3

RELATED PARTY TRANSACTIONS

FOR THE YEAR ENDED MARCH 31, 2011 (dollars in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

Entities in the Ministry refers to entities consolidated in the Ministry of Advanced Education and Technology. Other entities outside of the Ministry relates to the remaining entities consolidated at the Provincial level.

Alberta Innovates – Technology Futures had the following transactions with related parties which are recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2011	2010	2011	2010
REVENUES				
Grants	\$ 81,713	\$ 79,113	\$ -	\$ -
Other	12,955	7,571	1,922	1,488
	<u>\$ 94,668</u>	<u>\$ 86,684</u>	<u>\$ 1,922</u>	<u>\$ 1,488</u>
EXPENSES – DIRECTLY INCURRED				
Grants	\$ 30,771	\$ 37,998	\$ -	\$ -
Other Services	1,076	368	2,367	678
	<u>\$ 31,847</u>	<u>\$ 38,366</u>	<u>\$ 2,367</u>	<u>\$ 678</u>
RECEIVABLE FROM	\$ 452	\$ 11,506	\$ 647	\$ 491
PAYABLE TO	\$ 4,839	\$ 830	\$ 6	\$ 11
UNEARNED REVENUE	\$ 12,133	\$ 11,087	\$ 147	\$ 227
CONTRACTUAL OBLIGATIONS	\$ 73,912	\$ 75,411	\$ -	\$ -

The above transactions do not include support service arrangement transactions disclosed below.

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements. Accommodation expenses incurred by others are disclosed in Schedule 4.

	Other Entities Outside of the Ministry	
	2011	2010
Expenses – Incurred by Others		
Accommodation (1)	\$ 14,099	\$ 14,573
	\$ 14,099	\$ 14,573

- (1) The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

SCHEDULE 4 ALLOCATED COSTS

FOR THE YEAR ENDED MARCH 31, 2011 (dollars in thousands)

PROGRAM	2011			2010
	Expenses – Incurred by Others			Total Expenses
	Expenses (a)	Accommodation Costs (b)	Total Expenses	
R&D Technical Support	\$ 81,202	\$ 13,196	\$ 94,398	\$ 90,372
Industrial & Post Secondary Support	56,035	682	56,717	50,032
Small and Medium Enterprise Support	14,321	221	14,542	12,029
	<u>\$ 151,558</u>	<u>\$ 14,099</u>	<u>\$ 165,657</u>	<u>\$ 152,433</u>

(a) Expenses – Directly Incurred as per Consolidated Statement of Operations.

(b) Accommodation costs incurred by others have been allocated based upon full-time equivalent staff.

ACCELERATE

NOTES:

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